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Iranian Plot to Blow Up U.S. Ship Reported

By WILLIAM C. REMPEL
and GAYLORD SHAW,
Times Staff Writers

BRIDGEPORT, Conn.—Federal agents posing as arms brokers stumbled across what they believed was an Iranian plot to blow up a U.S. ship last year in the strategically located Strait of Hormuz, according to government sources.

The agents, who were conducting a major investigation of alleged smuggling of U.S. missiles to Iran, aborted their investigation so the Pentagon could be alerted to the alleged plot, the sources said.

Seeking U.S. Missiles

In a hotel room overlooking the steeples and smokestacks of this aging factory town, the sources said, an international arms merchant seeking to buy 5,000 American TOW missiles for Ayatollah Ruhollah Khomeini's regime volunteered precise details of a planned attack to an undercover U.S. Customs Service agent—and to cameras and microphones surreptitiously recording the conversation.

Federal officials watching and listening from an adjacent room were so concerned about what they considered an imminent peril that they quickly decided to blow their cover, arrest the operative and rush the videotapes to Washington.

But current and former national security officials contacted by The Times said that they could not recall acting at the time on any such specific threat relayed by the Customs Service. The national security officials, all of them familiar with intelligence data, were working at the White House on the National Security Council staff, at the Pentagon and within the State Department when the incident allegedly occurred.

If the Customs Service did pass on such a threat, one Pentagon official said.

"It was obviously an empty threat. There have been threats for three years and they (the Iranians)

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don't have the wherewithal to carry them out. It's all a lot of gas."

Thus, either the Customs Service needlessly abandoned a promising undercover investigation or the Pentagon took action that it would not disclose.

The episode in April of last year occurred against a backdrop of high-level fears that the Iran-Iraq war and possible terrorist acts by Khomeini's followers threatened to squeeze off much of the Middle East's oil shipments and pose a serious election-year foreign policy crisis for President Reagan.

And, according to federal law enforcement officials, it illustrates how Iranian operatives may be linked on one side of the world to radical Shia Muslims threatening American ships and on the other side to efforts to penetrate U.S. arms stockpiles.

Countering Arms Embargo

The Times disclosed Sunday that Iran is conducting a multibillion-dollar clandestine campaign to acquire U.S.-made weapons and military supplies, using hundreds of agents and collaborators in all parts of the globe in an attempt to circumvent an arms embargo imposed by the United States during the 1979-81 hostage crisis.

From more than a half-dozen sources in Connecticut, Washington and elsewhere, The Times pieced together an account of how the Customs Service undercover operation was sacrificed to alert the U.S. military of the alleged plan for a terrorist attack.

In the Connecticut case, one of several secret investigations being conducted by the Customs Service and FBI in various parts of the country, Customs agent Steve Crogan, using the name of Mike Balatin, spread word in the circles of international arms brokers that he had access to the U.S. weapons and spare parts sought desperately by Khomeini to sustain his bitter war with Iraq.

Before long, the bait lured Carlos Vieira de Mello, a Brazil-based arms dealer, into contact with the undercover agent. De Mello agreed to inspect the offerings and negotiate terms in the United States. He flew to John F. Kennedy Airport in New York and took a limousine to Connecticut, where Crogan met him.

They proceeded to a warehouse in central Connecticut, a building

described as so decrepit that pigeons frequently fly through holes in the roof. There, the agent displayed some of his wares, including a pair of TOW missiles, fuel tanks for F-4 jet fighters, mortars and transmissions for helicopters—all among the hundreds of items on a computer list distributed to Iranian agents and arms merchants by Khomeini's London-based procurement office.

From the warehouse, the agent and the arms dealer went to the Sheraton Hotel in Bridgeport, overlooking the Connecticut Turnpike and Long Island Sound about 60 miles north of New York City and 20 miles south of New Haven. There, Crogan had reserved a room that Customs Service technicians had equipped with a hidden camera and microphones linked to audio and video recording equipment in an adjacent room.

As Crogan and the Brazilian arrived at the Sheraton in Bridgeport, the undercover agent spotted a lawyer who had represented defendants in Customs cases. Fearing recognition, he bent down and pretended to tie his shoe—a laceless, slip-on loafer.

Once inside the hotel room, the agent and De Mello spent several hours negotiating the price and shipping arrangements for the weapons and parts, including 1,100 TOW missiles that De Mello said he wanted quickly as part of an order for 5,000 of the surface-to-surface weapons.

The TOW—or tube-launched optically tracked wire command-link guided missile—is a mainstay of the U.S. Army. The four-foot-long missile, which weighs 60 pounds, costs the U.S. government between \$8,069 and \$9,800, depending on the model, and is sold for several times that price in the world's illicit arms bazaar. But, even at the government's list price, De Mello was talking of a \$40-million deal.

Told of Plot Against Ship

After strolling downstairs for brunch, Crogan—who was equipped with a hidden microphone and portable transmitter—and De Mello returned to the room to continue their negotiations. It was then that the Brazilian began talking in an off-hand manner—but in detail—about Iranian plans to blow

up the U.S. ship in the Strait of Hormuz, the Persian Gulf's narrow mouth, through which passes 20% of the non-Communist world's oil.

The threat to shipping in the gulf and the strait leading to the Arabian Sea was much on the minds of high-level Washington policy-makers. On April 11—the day before the Connecticut hotel room meeting—the Wall Street Journal had published a lengthy account describing how President Reagan had secretly ordered aides to draft new plans to protect Persian Gulf states and their critical oil supplies from any spillover from the Iran-Iraq war. And, for weeks, newspaper articles and network television newscasts had included assessments of Iran's threat to oil supply routes.

So De Mello's disclosures astonished Eugene Weinschenk, the special agent in charge of Customs' Connecticut operation, who, along with five other federal agents and officials, was watching the video monitor and listening on earphones in the adjacent room.

Weinschenk and other Customs officials now refuse to divulge precisely what they heard De Mello say. But Weinschenk said it was "something we felt was important enough to act on immediately."

Like 'a B Movie'

"We had this guy on camera talking about a current plan to blow up a U.S. ship in the Straits of Hormuz," another witness told The Times. "I felt like I was in the midst of a B movie."

The officials in the adjacent room conferred briefly and decided to act with dispatch. They called Crogan's room and told the undercover agent that "it was time to go down." Crogan was surprised, witnesses said, but kept up the conversation while moving casually to the door connecting the two rooms. He unbolted it, and the other agents burst into the room to arrest De Mello, who was unarmed and offered no resistance.

Within 15 minutes, the gist of what the Brazilian had said during the secretly recorded conversation was relayed by telephone to Washington. And, within 90 minutes, the video tapes—plus notes on De Mello's answers to questions after his arrest—were turned over to a Defense Department investigator to be flown to the Pentagon.

De Mello spent about 10 days in a Connecticut jail before charges against him were dropped and all court records in the case were sealed. He reportedly has returned

to Brazil.

Agents in Connecticut said that they were told later that military authorities had taken steps to avert any terrorist attack. "We never heard exactly what happened," one official said. "Nobody ever called to pat us on the back. But nothing happened to any ship out there."

In Washington, a Customs spokesman said: "We have no comment at this point." And it is unclear how the Pentagon reacted at the time.

Ships Given Missiles

Two months earlier—in February, 1984—the Navy acted on intelligence reports and beefed up security on ships in the region and in the Mediterranean Sea off the Lebanese coast. Smaller vessels lacking sufficient weapons to counter aerial attacks were equipped with hand-held Redeye heat-seeking missiles, which can shoot down aircraft by homing in on engine exhaust outlets. In addition, commercial ships were warned to keep at least five miles away from Navy ships in the region because the warships were conducting "hazardous operations."

The Navy actions were based on fears that Iranian suicide pilots being trained in Lebanon would fly explosive-laden light airplanes into U.S. ships or that terrorists on suicide missions would drive similarly loaded small boats into the Navy vessels. The Navy ships off Lebanon were supporting U.S. peacekeeping troops in Beirut.

"There was an overall threat and a high level of awareness something might happen," said one official, adding: "There are intelligence reports on a weekly basis about threats to U.S. assets."

One Navy official said that a search on Wednesday turned up no record of any threat relayed by Customs.

"They get volumes of reports of this kind and they're all considered viable and, where considered necessary, the fleet is alerted. Those found to be credible are maintained

on file. The others are not."

But, he cautioned, the fact that no record could be found of the threat 16 months later did not necessarily mean that it was not credible.

As early as April, 1982, Iranian officials had threatened to close the strait, and in 1983 they moved several F-4 fighters, which the United States had supplied to pre-revolutionary Iran—to airfields near the waterway, a senior Pentagon official said.

William C. Rempel reported from Bridgeport and Gaylord Shaw reported from Washington. Also contributing from Washington was Times Staff Writer James Gerstenganz.